

Select Committee on Pension Policy

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PERS Public Safety Subcommittee

October 6, 2003

10:30 AM - 12:30 PM

Senate Hearing Room 3, Olympia

AGENDA

- (1) Concepts**
- (2) Public Hearing**
- (3) Next Meeting**

PERS Public Safety Subcommittee - 2003

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PERS Public Safety Benefits

PERS members employed in high-risk or high stress jobs have requested increased / early retirement benefits. The Joint Committee on Pension Policy (JCPP) heard in-depth analysis on this issue during the 2002 interim. The “Public Safety” report by the Office of the State Actuary was published in November 2002 (attached.)

ISSUES

- Identifying public safety workers in PERS, distinguishing them from other PERS members
- Needs of public safety workers and what benefit addresses those needs
- How much public safety workers and their employers should pay for additional benefits

Identifying Public Safety Positions in PERS

Numerous groups have sought to join the Law Enforcement Officers and Fire Fighters (LEOFF) retirement plan 2. They would be likely groups to be included in a PERS Public Safety benefit.

- County Corrections
- County PUD Line Workers
- Liquor Control Enforcement
- Gambling Commission Enforcement
- State Park Rangers
- Department of Corrections
- WPPSS Security
- Public Safety Officers
- Community Correction
- Bellingham Port Fire Fighters

However, statutory criteria are quite specific on who is eligible for LEOFF 2 membership.

LEOFF 2 Membership Criteria

| | Law Enforcement Officers | Fire Fighters |
|-------------------|--|--|
| Employer | Any city, town, county, district, or general authority law enforcement agency. | Any city, town, county, district, or university. |
| Employment | Commissioned and employed on a full time, fully compensated basis to enforce the criminal laws of Washington State. | Serving on a full time, fully compensated basis as a fire fighter. |
| Training | Pass civil service examination, meet specified medical and health standards, and complete Criminal Justice Training Commission basic training. | Pass civil service examination, and meet specified medical and health standards. |

As LEOFF 2 membership is quite complex, the above groups propose a PERS Public Safety benefit. As illustrated in the “Public Safety” report, similar groups in other states are eligible for a public safety type benefit. In Arizona, Idaho, Iowa, and Oregon inclusion in the public safety category for these groups is not criteria-based but rather by a statutory list.

Enhanced Benefits: Earlier Retirement

PERS 2/3 allows members to retire with full benefits at age 65. Members may also retire with a reduced benefit (3% per year from age 65) at age 55 with 30 years of service. Members may also retire with an actuarially reduced benefit at age 55 with 20 years of service.

The LEOFF 2 plan allows members to retire with full benefits at age 53, with a reduced benefit (3% per year from age 53) at age 50 with 20 years service.

Questions yet to be answered:

- Who is a public safety PERS member?
- What kind of benefit?
- Amount of contributions?
- 50 - 50 employer employee cost split?
- Once a member is eligible for benefits as a Public Safety PERS employee, is there a point in their careers, such as after a promotion or change of agency, when they are no longer eligible?

Proposal by Representative Alexander Public Safety

December 06, 2001

Definition of Public Safety Related Jobs

Persons employed full time at any state agency, political subdivision, or unit of local government in the state of Washington directly responsible for protecting the public including but not limited to correctional officers, fish and wildlife agents, park rangers, liquor control enforcement officers, and gambling commission investigation officers.

Criteria for Inclusion in Public Safety Retirement Plan

Inclusion in the public safety retirement plan of PERS, TRS, and SRS must include all of the following:

- (1.) the responsibility to provide public protection of lives and property as a general duty of the job;
- (2.) a high degree of physical risk to one's own personal safety;
- (3.) authority and power to arrest, conduct criminal investigations, and enforce the criminal laws of the state of Washington;
- (4.) passage of a civil service examination or equivalent;
- (5.) completion of the Washington criminal justice training commission basic training course or equivalent; and
- (6.) the authority to carry a firearm as part of the job

Public Safety Retirement Plan

Any employee who meets the definition and the criteria described above is eligible for the following early retirement and disability benefits:

- (1.) Retirement without reduction in the retirement allowance to those eligible employees who are age 60 or above;
- (2.) Retirement, with an actuarial reduction of three percent per year, for those eligible employees age 53 or above with a minimum of 20 years of service; and
- (3.) Disability benefits in the event the person is totally incapacitated while performing their public safety responsibilities in the course of their employment (equivalent to LEOFF 2).



Joint Committee on Pension Policy

Public Safety

November 2002

Prepared by: David Pringle

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Study Mandate:

On December 10, 2001, the Joint Committee on Pension Policy adopted the following motion:

The Joint Committee on Pension Policy moves that the issue of providing additional public safety benefits to certain members of the Public Employees' Retirement System plans 2 and 3 be studied during the 2002 interim.

The study shall examine the creation of public safety benefits paid for by included employees and employers for periods of service in eligible positions. The study shall also examine the eligibility criteria for both entry into the Law Enforcement Officers' and Fire Fighters' plan 2 and for a public safety benefit.

The State Actuary shall report the results of the study to the JCPP at the May 2002 meeting of the Committee.

Issues:

- Is there an identifiable group of "public safety" workers in PERS?
- What criteria can be used to distinguish them from the rest of PERS membership?
- What are the needs of public safety workers, and what type of benefit addresses those needs?
- How much should "public safety" members and/or employers pay for additional benefits?

Background:

1. Benefits in PERS 2/3 and LEOFF 2
2. Membership criteria in PERS 2/3 and LEOFF 2
3. Comparison of groups who have sought LEOFF membership to criteria

1. Benefits in PERS 2/3 and LEOFF 2

The Public Employees' Retirement System, plans 2/3 provide for full retirement benefits at age 65. Early retirement is available beginning at age 55 with an actuarial reduction from 65, and members with 30 years of service may early retire with a 3 percent per year reduction factor.

The Law Enforcement Officers' and Fire Fighters' Retirement System, plan 2 provides for full retirement benefits at age 53. Members may retire at age 50 with an actuarial reduction from 53, however a 3 percent per year early retirement reduction factor is available for early retirees with twenty years of service beginning at age 50.

Membership in the Law Enforcement Officers' and Fire Fighters' Retirement System is restricted by criteria established by the legislature, including some specific exclusion of members by several portions of statute. The membership criteria of each of the PERS plans 2/3 and LEOFF plan 2 are discussed in further detail below.

Why do police and fire fighters often have different benefits than other groups of public employees? Many groups of PERS employees argue that their jobs share some characteristics with police and fire fighter employees, and that they should be able to retire at similar ages to LEOFF members, rather than the age of other public employees in PERS whose jobs do not have those traits.

A separate system or sets of benefits for police officers and fire fighters is common throughout the United States. Historically police and full-time fire fighters began to receive pension coverage from large city employers in the early 1900's, and by about 1910 most were covered. In comparison, it was twenty years or more later before nonuniform employees began to be covered in significant numbers by similar employers. From their very beginning, the police and fire plans provided for retirement at lower ages and with relatively higher benefits.

Lower retirement ages are the major characteristic of retirement systems for uniformed personnel (i.e., military, police, fire) that differ from general public employee plans. Retirement after 20 or 25 years of service, and often more generous disability and death benefits are typical. The bases of this difference may be one or all of the following:

- Members may be unable to perform all of the duties of their job as long as those in other types of employment. The physical abilities necessary to perform those activities required by the employment diminish as a person ages.
- The Constant potential of physical danger and mental anxiety reduce the effectiveness of persons over time.
- Earlier retirement is part of their traditional benefits package.
- The public, not just the employer, relies on their ability to do the job.
- Importance of public perception of a vigorous and capable front-line police/fire force.

Certainly these assumptions are arguable but, nevertheless, may contain elements of truth.

2. Membership criteria in PERS 2/3 and LEOFF 2

The Public Employees' Retirement System plans 2/3 provide the broadest eligibility rules of the Washington State retirement system plans. All regularly compensated employees and appointed and elected officials of included employers first employed on or after October 1, 1977 are members of PERS plan 2/3 unless they fall into the specific exceptions from membership listed in RCW 41.40.023.

In effect, if employees work enough to meet the requirements eligibility of five months of 70 or more hours, are not members of another Washington State or local plan, and who do not fall into one of the narrow categories in RCW 41.40.023's list, then they are in PERS 2/3.

The Law Enforcement Officers' and Fire Fighters' Retirement System, plan 2 in contrast to PERS 2/3 is tightly limited to specific employers and only certain full-time employees of those employers.

From October 1, 1977 through December 31, 1993, LEOFF 2 membership was limited to persons whose employers were "the legislative authority of any city, town, county, or district or the elected official of any municipal corporation that employs any law enforcement officer and/or fire fighter." RCW 41.26.030 (2)

Membership was further limited to those employed as:

- a. fire fighters serving in a full time, fully compensated position which required passing a civil service examination; and
- b. law enforcement officers who were either commissioned and employed in a full time, fully compensated position to enforce the criminal laws of the state or successfully completed a civil service examination for deputy sheriff or a similar position.

On January 1, 1994, membership in LEOFF 2 as it pertains to law enforcement officers was expanded to include those employed by a "general authority law enforcement agency." This removed the limitation of LEOFF membership to political subdivisions of the state. Membership was now open to any agency of a political subdivision or state agency other than the State Patrol, if it has

"a primary function to detect and apprehend persons committing infractions or violating the traffic or criminal laws in general." RCW 41.26.030 (32)

With this inclusion, members of the following law enforcement departments prospectively became members of LEOFF 2:

| | |
|-------------------------------|-------------------------------|
| Central Washington University | Port of Pasco |
| Eastern Washington University | University of Washington |
| Evergreen State College | Washington State University |
| Port of Seattle | Western Washington University |

"Limited authority law enforcement agencies" are not included in LEOFF 2 membership. They are described in statute as those having among other roles, the function of apprehending or detecting of persons who committed infractions or violations of traffic or criminal laws related to their subject areas. The following agencies are specifically named in RCW 41.26.030 (32) as examples of such agencies:

| | |
|---------------------------------|-------------------------------------|
| Department of Natural Resources | Dept. of Social and Health Services |
| State Gambling Commission | State Lottery Commission |
| State Parks and Rec Commission | Utilities and Trans. Commission |
| State Liquor Control Board | State Department of Corrections |

The 1994 expansion of the definition of "employer" included only "the governing body of any other general authority law enforcement agency." It did not expand the definition of "employer" for fire fighting agencies.

In 1996, the definition of employer for firefighters was amended to include the Washington State University fire department.

In the 2000 Legislative session, the retirement age in LEOFF 2 was reduced from age 55 to age 53. A three percent per year early retirement reduction factor was also introduced for members at age 50 with 20 years of service. In the 2001 Legislative session, the LEOFF plan 2 disability age was reduced from 55 to 53 to match the reduction in the retirement age made in 2000.

In the 2002 Legislative session the enforcement officers of the Department of Fish and Wildlife were given general law enforcement authority and the agency was made a general authority law enforcement agency, however like the Washington State Patrol, the enforcement officers were specifically excluded from participation in LEOFF 2.

3. Comparison of groups who have sought LEOFF membership to criteria

Each year different groups of PERS members contact the legislature about becoming members of LEOFF plan 2. While current statutes are clear about who is eligible for membership in LEOFF plan 2 and who is not, they provide little supporting policy to guide decisions about the membership of other groups. One likely motivation of such PERS member inquiries is the difference between the normal retirement ages in PERS, 65, and LEOFF plan 2, 53. If this is among the most important reasons that groups seek to move from PERS to LEOFF plan 2, the creation of a "public safety" category within PERS plans 2/3 might be an intermediate alternative to accomplish the goal of a lower retirement age.

As discussed in the background provided earlier in this report, both historical events and public expectations about police officers and fire fighters provide some information about why the benefits for some uniformed public safety personnel are different than those provided to other public employees.

Analysis:

1. Who are public safety workers?
 - a. Is a public safety category or plan needed?
 - b. Could a new definition be crafted to identify the group?
 - c. Can criteria be used to qualify for a public safety PERS category?
 - d. Alternates to criteria
2. What changes might address the conditions of public safety workers?
3. How should prior service by public safety workers be treated?

4. What are the costs related to moving groups into LEOFF 2 or a public safety plan?
5. What are some other states approaches to public safety benefits?
6. Possible approaches

1. Who are public safety workers?

While the groups generally identified as "limited authority law enforcement" and similar types of employees who have in the past argued for inclusion in LEOFF plan 2 might be a starting point in considering as candidates for a public safety category, what employee characteristics are important and who certain employment traits might implicate are part of the JCPP study mandate.

a. Is a public safety category or plan needed?

An enhanced tier of benefits within PERS plan 2/3 or a separate public safety plan presumably would provide benefits for the included groups to better fulfill the objectives of the Washington State Retirement Systems.

The policy objectives the Washington State Retirement Systems are infrequently reviewed. The Joint Committee on Pension Policy reviewed a summary of the objectives during the 1993 Interim. Policies to be observed in making changes to current plans included:

- Sufficient income after leaving workforce should be from a combination of Social Security, retirement benefits, and employee savings.
- Employees must take responsibility for insuring they have sufficient income after retirement.
- Retirement benefits are intended to provide income after leaving the workforce.
- Employees who vest and leave should be provided reasonable value toward their ultimate retirement for their length of service.
- Retirees should have flexibility in the form and timing of benefits.
- Plan should be as neutral as possible regarding employees' changing careers or employers, keeping employees in stressful jobs, and neither encouraging or discouraging early retirement.

With the objectives as identified by the JCPP in 1993, or as they may be refined, public safety employees should in some way not be served by PERS plan 2/3 membership in comparison to other plan members.

The notion of creating different benefits for public safety workers may contain several related components or assumptions. One is that there is a group of workers that by some method can be selected for inclusion from the general group of PERS plan 2/3 employees. Another is that there is a reason or reasons that these selected workers should have a lower retirement age - this could be the same for all public safety workers, or even different for different types of employees who might be included.

Among the most common reasons put forth is that public safety jobs are more dangerous, and that employees cannot continue to perform their required tasks at older ages.

- ***Do public safety jobs have distinct characteristics - danger, stress, or others?***

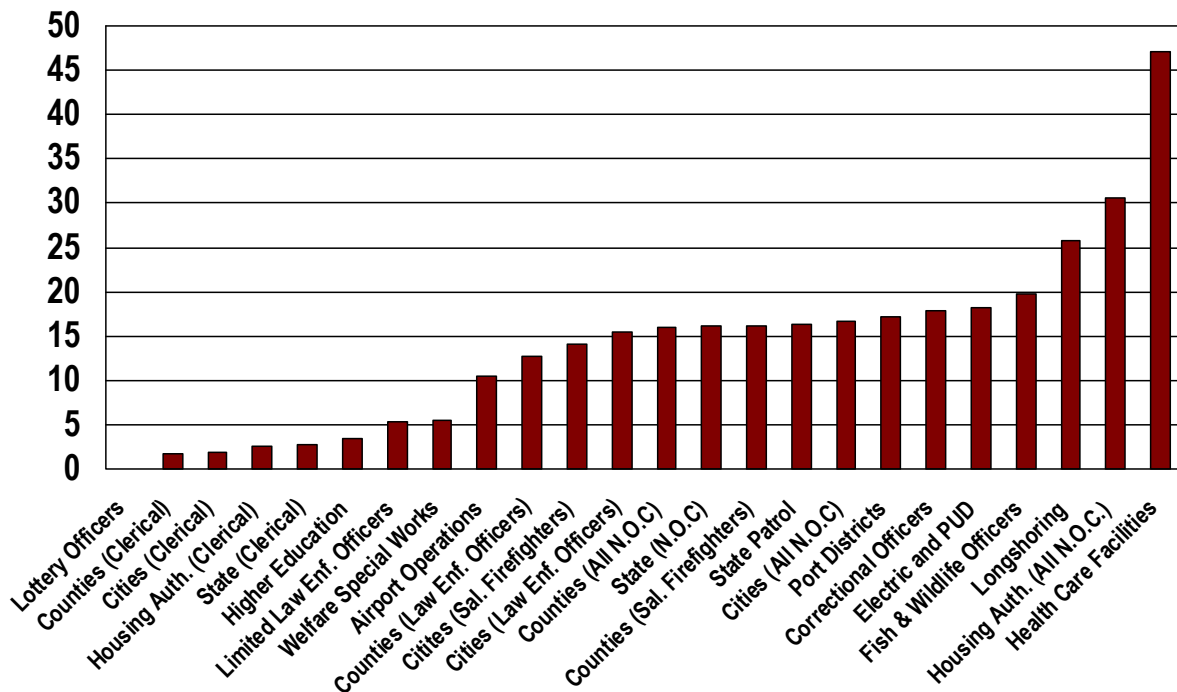
Danger

That some employees are exposed to higher degrees of danger or stress are among the most common reasons put forth for inclusion in public safety-type plans. What makes a job dangerous? One indication that a job is dangerous is the rate of work-related injury suffered by employees who perform that job.

Taken in total, state and local government workers suffer fewer work related injuries than those in most other major industrial categories, for example workers in the retail, wholesale, or agriculture industries¹. But unlike some individual employers or even industries, state and local government in total provides a wider range of services, and workers perform a wider variety of tasks, than perhaps any other category.

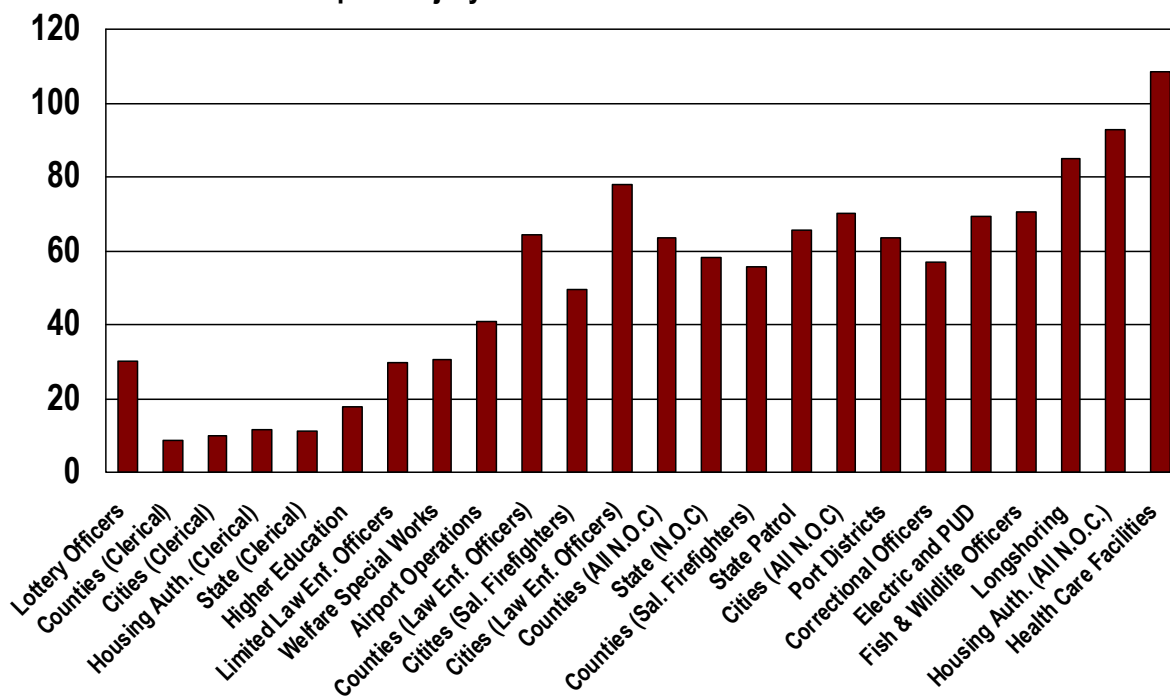
How do some jobs performed by state and local governments that are considered to have public safety characteristics compare in rates of work-related injury? The following two charts illustrate the rates of compensable, or more serious, and non-compensable State Fund claims for Labor and Industries benefits for every 100 full time employees between 1998 and 2001.

Labor and Industries State Fund Comensable Claims Per 100 FTE's – 1998-2001



¹ Washington Department of Labor and Industries, 2000 Washington Occupational Injury and Illness Summary.

Comensable and Non-Compensable State Fund Labor and Industries Workplace Injury Claims Per 100 FTE's – 1998-2001



Note: Appendix 5 contains a description of the risk sub-classes included in these charts.

This data is limited in several ways, however, and should not be interpreted as more comprehensive in nature than it is. Only State Fund claims, and not claims made to self-insured employers are included here. There are many employers, both public and private that self-insure, and might illustrate different patterns if they could be similarly compiled. These charts also do not attempt to address the types of injuries, or other related categories of information.

For one point of comparison, some of the riskier private sector state fund rates for 2001: Total case rate: logging 57.6, and roofing 51.3. Compensable rate: Logging 28.6 and roofing 20.6. If a similar rate for 2001 was experienced in these private sector sub-classes over the four years shown in the charts, logging would produce a total case rate of about 230, and a compensable rate of 114 for the four years, more than twice that of the highest risk sub-class displayed.

However, higher or lower rates of work-related injury alone do not demonstrate that a job is more hazardous for older workers than younger ones, nor demonstrate that the danger of a job is not accounted for in higher rates of pay. A description of the risk sub-classes that are used in the tables is included in the attachments at the end of this report.

Stress and Life Expectancy

Some jobs are more stressful than others. Comparison, however, is even more difficult than in the case of danger. One argument put forward is that jobs with elevated stress levels cause employee "burn out," shortening careers and creating other negative effects. Burn out is very hard to quantify, however.

Some also assert a relationship between job stress and reduced life expectancy for workers². This is not as hard to quantify, as analysis of the average age of death of workers in different categories is available from PERS and LEOFF, as well as from other systems, plans, and states. However do the demands of different jobs actually reduce the life expectancy of certain workers?

One indicator is the difference in Life Expectancy examined every 5 years in the Actuarial Experience Study for PERS, TRS, SERS, LEOFF, and WSP. A Mortality Table is developed by the Society of Actuaries using combined national data. Every 5 years, assumptions about the demographics of the Washington State systems are reviewed by the using the data generated from actual member and retiree experience here, and any necessary adjustments to the Mortality Table produced by the Society are developed to ensure the best possible accuracy of the demographic assumptions for the ensuing years.

Life Expectancy, Results of the 1995-2000 Actuarial Experience Study

| Mortality Table | | | | |
|------------------------|------------------------|---------------|------------------------|---------------|
| Age | UP 94 | | RP 2000 | |
| | Old Assumptions | | New Assumptions | |
| | Male | Female | Male | Female |
| 30 | 48.6 | 53.1 | 48.7 | 52.1 |
| 40 | 39.0 | 43.4 | 39.1 | 42.3 |
| 50 | 29.6 | 33.8 | 29.7 | 32.8 |
| 60 | 20.9 | 24.6 | 21.3 | 23.9 |
| 70 | 13.6 | 16.5 | 13.7 | 16.0 |
| 80 | 8.0 | 9.8 | 7.7 | 9.6 |
| 90 | 4.4 | 5.2 | 4.1 | 5.3 |

Based on the experience of the members and retirees, current assumptions are that there is little difference in life expectancy between PERS and LEOFF. This is illustrated in the "Age Adjustments" table above from the 1995-2000 Actuarial Experience Study.

² For example, the Public Employees' Retirement System of Idaho incorporated a policy of shortened life expectancies into public safety eligibility determination. Subsequent studies have shown, however, that little or no shortened life expectancy among the included groups has occurred.

Age Adjustments by System, Results of the 1995-2000 Actuarial Experience Study

| System | Mortality Table | | | |
|--------|-----------------|--------|-----------------|--------|
| | UP 94 | | RP 2000 | |
| | Old Assumptions | | New Assumptions | |
| | Male | Female | Male | Female |
| PERS | 0 | 0 | 0 | 0 |
| TRS | -3 | -1 | -2 | -2 |
| SERS | 0 | 0 | 0 | -2 |
| LEOFF | 1 | 1 | 0 | 0 |
| WSP | 1 | 1 | 0 | 0 |

The prior assumption was that for purposes of examining a persons mortality expectations, members of LEOFF and the Washington State Patrol should be considered to be one year older than members of PERS. The new assumption produced by a review of the actual experience of members in the Actuarial Experience Study removes that one year adjustment from the new mortality assumptions developed by the Society of Actuaries. One inference from this is lower retirement ages in LEOFF plan 2, and perhaps other jobs that share characteristics with law enforcement officers and fire fighters, may not be well founded on a basis of reduced life expectancy.

Duty to protect others from imminent harm

In some sense distinct from danger to the workers doing a particular job, some jobs have an important aspect of protecting others from imminent harm. While many jobs have elements of protecting the public from dangerous conditions, some have the added element of requiring members to place themselves in between an imminently hazardous condition and the public.

The duty to protect others from imminent harm is a difficult characteristic to quantify or identify in an objective manner, but is a policy occasionally expressed in association with public safety benefit programs³. Aggregate data on work-related injuries or deaths will not necessarily connect injuries to the unique duties to protect others from imminent harm. Such jobs could have other components that are the source of some, or even most of the workplace injuries or deaths.

- ***Are public safety jobs more difficult to perform at older ages?***

While one job may be more dangerous than another, it does not necessarily follow that the job is more dangerous for older workers than younger. If it is the dangerous nature of the job that indicates an earlier retirement age, then should the type of hazard be one that increases for older workers?

³ See as an example of law enforcement officers' duty to protect citizens from imminent danger, Schear v. Board of County Comm'rs, 101 N.M. 671, 687 P.2d 728 (1984).

One element of this question is related to the chance of occupational injury and the age of the worker. The National Institute of Occupational Safety and Health (NIOSH) studies such questions, and provides data on occupational injuries, both fatal, and those serious enough to require treatment in emergency departments.

National annual rate of fatal occupational injuries by age group, 1980–1995

| Age group (years) | Distribution (%) | Rate per 100,000 workers |
|------------------------------|-----------------------------|-------------------------------------|
| 16 - 19 | 3.7 | 3.36 |
| 20 - 24 | 10.8 | 4.82 |
| 25 - 34 | 25.9 | 4.85 |
| 35 - 44 | 21.6 | 4.66 |
| 45 - 54 | 17.0 | 5.33 |
| 55 - 64 | 13.5 | 6.94 |
| 65+ | 7.4 | 13.62 |

The most frequently expressed goal of groups aspiring to membership in LEOFF or a public safety benefits category is a lower retirement age than is offered in PERS plan 2/3. Do job functions get more difficult to perform at older ages, and can this difficulty be objectively measured?

Do occupational fatality rates suggest a relationship between age and fatal occupational injury? National data of all workers from NIOSH suggests that the rate of fatal occupational injury increases slightly with age. About 65% of occupational fatalities occurred in the 25-54 age groups, though about two more fatalities per 100,000 workers were found in the 55-64 age group than the 35-44 group.

National rate of nonfatal occupational injuries treated in emergency departments, by age and sex, 1998

| Age group (years) | Male Workers | Female Workers |
|------------------------------|-------------------------|---------------------------|
| 16 - 17 | 6.4 | 3.9 |
| 18 - 19 | 7.8 | 3.9 |
| 20 - 24 | 6.4 | 3.2 |
| 25 - 34 | 4.5 | 2.3 |
| 35 - 44 | 2.9 | 1.9 |
| 45 - 54 | 2.0 | 1.5 |
| 55 - 64 | 1.7 | 1.4 |
| 65 - 74 | 1.4 | 1.3 |
| > 75 | 1.2 | 1.3 |
| All ages | 3.4 | 2.0 |

There are many more nonfatal occupational injuries than fatal ones each year. For 1998, NIOSH found the highest rates among younger workers, with workers suffering fewer injuries than the overall average in all age groups above 35.

- ***Do older workers continue to perform the public safety duties with distinct characteristics?***

Though an employer may have dangerous tasks that must be performed by employees, do older workers continue to perform those tasks? Personnel issues associated with what duties are performed by individual employees is another element to consider in analyzing the risks faced by groups of employees.

Jobs offer different opportunities to move into supervisory or less stressful or dangerous positions during a career. If an older worker is less likely to perform those elements, then the need for a lower retirement age in those jobs might also be less.

From the characteristics that may be identified with public safety jobs, different methods could be used in statute to identify groups for inclusion in the public safety category, including creation of definitions, criteria, or description in statute of included employee groups.

b. Could a new definition be crafted to identify the group?

LEOFF plan 2 uses a three-part definition, discussed above, to identify individual members and employers for inclusion in the plan. Using the existing LEOFF 2 criteria, the Department of Retirement Systems can determine who qualifies as a law enforcement or fire fighter member and who does not. Could a set of criteria be developed to similarly identify public safety employees?

In an important sense, the problem of a definition for the public safety workers, and associated criteria is very different than for LEOFF plan 2. This is because the ideal of what constitutes a regular police officer or a full-time fire fighter is known. In contrast, we do not know what an ideal non-police or non-fire fighter public safety employee is.

One definition for public safety members was suggested to the JCPP during the 2001 legislative interim:

"Persons employed full time at any state agency, political subdivision, or unit of local government in the state of Washington directly responsible for protecting the public, including, but not limited to, correctional officers, fish and wildlife agents, park rangers, liquor control enforcement officers, and gambling commission investigation officers."

Would any definition have to also contain explicit exclusions, just like LEOFF plan 2 to remove ambiguity?

c. *Can criteria be used to qualify for a public safety PERS category?*

The creation of criteria that might be applied to PERS members to indicate inclusion in a public safety plan or category within PERS poses a particularly difficult challenge.

Some criteria that might be used include:

1. Responsibility to provide public protection of lives and property as a general duty of the job.
2. High degree of physical risk to one's own personal safety.
3. Authority and power to arrest, either limited or unlimited.
4. Passage of a civil service exam or equivalent.
5. Completion of CJTC basic law enforcement training course.
6. Authority or a requirement to carry a firearm.

Some of these criteria, such as danger, stress, and life expectancy are discussed above, and may not be useful identifiers on a statistical basis. A policy decision could be made on the importance of certain types of dangers that workers might encounter. Listing employees exposed to those dangers could form the basis for inclusion in a public safety group.

The existence of any of the criteria chosen could be made statutory requirements exclusively, or could be left to requirement by rule or employer policy. Less certainty in requirements at the legislative level would create additional uncertainty in the scope of membership and cost, however.

d. *Alternates to criteria - inclusion by statutory description of employee class, by employer, or by other existing categorizations.*

Criteria, no matter how carefully created, may not include some groups desired or inadvertently include other groups that are not intended. Interpretation of criteria, or changes in jobs performed by employees subsequent to the establishment of criteria might also add unexpected numbers of employees to a public safety benefit tier, creating unanticipated costs.

An alternative is that members could be included in the public safety category by statutory lists, as is done in several of the other states examined below. Lists could be constructed using different elements identifying particular employers, employees, and duties or qualifications.

2. What changes might address the conditions of public safety workers?

Depending on who public safety members are and what makes them eligible, different types of changes might best address their needs. In most cases both defined benefit and defined contribution approaches might be used to accomplish the changes, but would have different advantages, disadvantages, and costs depending on the approach.

Keeping in mind the policy objectives of the state retirement systems discussed above, and a lower retirement age being the main goal, the following are illustrations of some advantages and disadvantages of different approaches:

a. *Retirement at an age reduced from the standard PERS plan 2/3 ages.*

Example: a public safety PERS retirement age of 60 is created

A reduced retirement age for public safety members is arguably best supported where members cannot perform the job beyond a certain age due to danger, stress, reduced ability to protect the public or some other concerns.

As a part of PERS, however, how does such a model accommodate members who began their public safety careers at older ages or members who worked in non-public safety positions earlier in their careers but not later?

b. *Retirement after a career in a public safety position at reduced ages.*

Example: public safety employees with 25 years of public safety service may retire at age 60

This recognizes that certain public safety jobs have important age-related characteristics, but also requires earning a substantial benefit in public safety jobs in PERS plan 2/3. For example, a reduced retirement age might be available to members who have 25 or 30 years of service in public safety category PERS positions.

If additional contributions are required from employees, should employees who serve only a portion of their career in public safety positions also contribute to the public safety benefit cost?

c. *Reduced retirement age for years of service in a public safety position.*

Example: each year of public safety service reduces retirement age by 1 month

Essentially, this is an item of additional compensation. Whether a person works in a public safety position early in their career, later in their career, or for their entire career, their PERS plan 2/3 retirement age will be reduced for periods served in public safety positions.

d. *Improved early retirement reduction factor for members in public safety positions*

Example: public safety employees may retire after 25 years of service with a 3% per year reduction from the PERS 2/3 normal retirement age

Similar to the idea of allowing early retirement at a lower age after sufficient number of years in public safety positions. The use of improved early retirement reduction factors (ERRFs) could provide a somewhat smaller benefit than a reduced normal age, but perhaps could be extended to more members in more situations.

An improved ERRF was implemented by the 2000 legislature for both LEOFF plan 2 and PERS 2/3, in the later case a 3% per year ERRF was made available to members beginning at age 55 with at least 30 years of service.

e. Disability as an alternative to additional public safety retirement benefits.

An examination of disability benefits is outside the scope of this study. The connection of disability benefits to the actual inability of individuals to perform their jobs to the normal retirement age is natural, but is not a part of the plans 2/3. Within the plans 2/3 of the Washington State Retirement System disability enables one to access their earned retirement benefit with an age adjustment. The worker's compensation system, is the source of compensation for workers injured on the job, rather than the retirement benefit.

Substantial change from the earned retirement benefit for disability would involve considerations of many additional broad topics such as standards of disability, determination and appeals processes, benefit levels, coordination with other disability benefits and more.

f. Additional "bridge" benefits to account for loss of earning power between end of public safety career and PERS plan 2/3 retirement age.

If one of the goals of the Washington State Retirement Systems is to provide income after leaving the workforce, one approach could focus on the typical degree of participation in the workforce between the PERS plan 2/3 retirement age and any reduced age that might be adopted for a public safety benefit. If some workforce participation is typical during this period, then perhaps some sort of partial or "bridge" benefit between these ages might be appropriate to replace lost earning power.

3. How should prior service by public safety workers be treated?

A difficult issue associated with the creation of a public safety benefit in PERS is retroactive application. The issues are very similar to those raised in discussions of moving groups from PERS plan 2 into LEOFF plan 2.

If members are able to count only service earned after their entry into a new plan or tier towards that new plan's formula, essentially using the dual-membership approach provided for in Chapter 41.54 RCW, then those members who are nearing retirement benefit little from the change over the last portion of their careers.

On the other hand if the members are able to count past service accumulated under a lesser benefit package with lower contributions towards a higher benefit formula, then a cost for the past service develops, as may other effects. Depending on the change in the level of benefits for past years of service, the cost of the retroactive service varies. For a large change in retirement age, for example from the PERS plan 2 age of 65 to the LEOFF plan 2 age of 53, the cost for an average member has been calculated generally as follows:

Example #2: Employee transfers past PERS 2 service to LEOFF 2:

1. Employee Costs

| | |
|--|----------------|
| Employee contributions had member been in LEOFF 2 | \$ 79,600 |
| Less: Employee contributions transferred from PERS 2 | <u>-47,000</u> |
| Additional member contribution required | \$ 32,600 |

2. Employer Costs

| | |
|---|----------------|
| Total assets required so transfer will not affect LEOFF 2 contribution rate | \$ 194,900 |
| Employee Contributions <i>(with additional member contribution)</i> | <u>-79,600</u> |
| Employer Contributions had member been in LEOFF 2 | \$115,300 |
| Employer contributions transferred from PERS 2 | <u>-28,100</u> |
| Additional employer contribution required | \$ 87,200 |

What policies might be considered in permitting prior service in PERS to be counted as public safety service?

- Was the member's inclusion in the public safety benefits tier optional, or mandatory to the individual employee?
- Has the nature of the job indicated for inclusion in the public safety category changed over time, if so, when did the job characteristics indicating inclusion arise?
- How will retroactive service credit affect an employer's staff overall?

Past changes in statute have taken several approaches in dealing with prior service when members were moved from PERS 2 to LEOFF 2, or PERS 2 to the Washington State Patrol Retirement System. These may serve as examples for terms of transfer to a public safety category for PERS 2/3.

In 1993 the legislature enacted ESHB 1744, adopting the general authority/limited authority law enforcement officer membership criteria in LEOFF 2. Peace officers employed by universities and port districts became law enforcement members of LEOFF, and were given the opportunity to transfer past non-LEOFF service as general authority officers from PERS. The ports and universities were required by the act to pay both the employer and state portions of the LEOFF 2 contribution rate.

Employees choosing to transfer were required to pay the difference in contributions, plus interest, that they would have made had they been in LEOFF rather than PERS for the service being transferred. Employers were required to pay the difference between the employer contributions, plus interest, plus an amount that ensured the contribution rate for other LEOFF 2 members did not increase as a result of the transfer.

In 1993 the legislature also prospectively included individuals serving as "public safety officers" in cities with populations of ten thousand or less in LEOFF plan 2. The change to RCW 41.26.030 was limited, however, to individuals whose job duties substantially involve only police and/or fire duties, and not other duties as well. There was no opportunity provided for past service credit in PERS to be moved into LEOFF.

In 1996 institutions of higher education with fully operational fire departments on January 1, 1996 were made eligible LEOFF employers for fire fighters. Similarly to the admission of the university police in 1993, members were given the opportunity to transfer eligible past service by paying the difference in contributions, plus interest, that they would have made had they been in LEOFF rather than PERS, and their employers had to pay the difference between the employer contributions, plus

interest, plus an amount that ensured the contribution rate for other LEOFF 2 members did not increase as a result of the transfer. Just as for their law enforcement members, the port or university employers pays both the employer and state portions of the LEOFF 2 contribution rate.

Most recently, the 2002 Legislature permitted certain State Patrol Officers who were Commercial Vehicle Enforcement Officers, but who went through additional training and became fully commissioned State Patrol Officers the opportunity to move past service from PERS 2 to the WSPRS. Those troopers electing to transfer service were required to pay the difference between the plans in member and employer contributions, plus interest.

4. What are the costs related to moving groups into LEOFF 2 or a public safety plan?

An important part of past discussions about inclusion of additional employees and employers in LEOFF 2 revolve around cost. The cost that might be incurred by moving a group of employees can vary on the basis of policy decisions that are made associated with the transfer, and the number of employees that are consequently able to move into LEOFF2.

Most straight forward is the number of persons that are involved in the transfer. Presumably any group that might be included in LEOFF 2, or in a new public safety group of some other type, will be of a know number of members with salaries and other characteristics that can be determined.

PERS plan 2 and LEOFF plan 2 Contribution Rates, as of July 1, 2002

| Plan | PERS Plan 2 | LEOFF Plan 2 | Difference |
|-----------------------|--------------------|---------------------|-------------------|
| Member | 0.65% | 4.39% | 3.74% |
| Employer/State | 1.10% | 4.39% | 3.29% |

Contribution rates to both PERS 2 and LEOFF 2 during the 2001-03 biennium are at historically low levels. Currently the difference in employer contribution is 3.29 percent, however the difference in employee contributions (equal to the difference in employer plus state contributions) is 4.33 percent of pay between PERS 2 and LEOFF 2.

The standard contribution system for LEOFF plan 2 requires the state to make 20 percent of the total contribution funding a employee's accumulated service credit. In the event of a local government employee that moves from PERS 2 to LEOFF 2, for example, the state government would be required to make a contribution for the LEOFF 2 employee when no contribution would be required for PERS. As of July 1, 2002, that additional state contribution is 1.76 percent.

The difference in the normal cost of benefits, a term used to describe the cost of funding a year of benefits in a plan if over the long term investment returns are at the assumed rate, is a good way to compare the cost of benefits in LEOFF plan 2 and PERS plan 2. The normal cost in LEOFF 2 is about 16.4 percent, and the normal cost in PERS plan 2 is about 8.8 percent.

Employer or state bears additional "employer" cost?

Several groups that have been moved from PERS 2 to LEOFF 2 have moved under terms that required their employers to pay both the employer and state portions of the LEOFF 2 contribution. These include port districts and institutions of higher education that have law enforcement and fire fighter LEOFF plan 2 members. These circumstances are discussed along with prior service issues above.

Moving into a public safety plan

Unlike LEOFF 2, there are no fixed costs for transfer of members from PERS 2/3 into a public safety plan or tier within PERS. The cost would vary depending on the size and type of additional benefits, and for employers also by the size of the participating group.

During the 2000 legislative interim, the JCPP briefly reviewed ideas about the creation of public safety benefits at the November committee meeting. The document presented compared estimated costs of several variations of a public safety benefit.

Using a defined benefit approach, two examples of supplemental benefits providing a reduced early retirement reduction factor(ERRF) at a younger age than the rest of PERS plan 2/3 (30 years of service) were described:

1. 3% ERRF at age 55, 25 years of service - approximate 1% additional contribution rate from employer, plus 1% additional contribution rate from the employee if a member of plan 2.
2. 3% ERRF at age 55, 20 years of service - approximate 2% additional contribution rate from employer, plus 2% additional contribution rate from the employee if a member of plan 2.

Using a defined contribution approach, two examples of supplemental benefits providing an additional defined contribution that could be used to "purchase" an improved early retirement reduction factor of these amounts:

1. 3% ERRF at age 60 - Approximate additional contribution rate: 5%.
2. 3% ERRF at age 62 - Approximate additional contribution rate: 3.5%

5. What are some other states' approaches to public safety benefits?

A different approach to the retirement coverage of public employees, police and fire fighters, and specialized groups of each is taken in almost every state. In response to requests by the Joint Committee on Pension Policy to compare Washington to the approaches of other states, information on several neighboring states, Idaho and Oregon, as well several other medium-sized states with a variety of statewide pension systems is provided. This is not intended to be a comprehensive look at the approaches of all states, or all plans, but rather a description of several different ways that the issue of coverage of public safety employees is addressed.

| State | Categories or Tiers | Retirement Age | Contribution EE / ER | Who determines membership? |
|------------------------------------|--|---|---|---|
| Washington PERS LEOFF | - General - Police/Fire (narrow) | - Age 65 - Age 53 | 0.65%/1.10% 4.39%/4.39% | Department evaluates narrow criteria |
| Idaho PERS | - General - Police/Fire (broad) | - Age 65, Rule 90 - Age 60, Rule 80 | 5.9%/9.8% 7.2%/10.0% | Statutory list of included pub. safety groups |
| Oregon PERS | - General - Police/Fire (broad) | - Age 60 or 30 yrs. - Age 55 or 50+25 yrs. | 6% / ~ 9.2% 6% / ~ 12.4% | Statutory list of included pub. safety groups |
| Nevada PERS* | - General - Police, Fire (narrow) | - Age 65 or 30 yrs. - Age 50+20 yrs. or 30 yrs. | 9.4% / 9.4% 14.3% / 14.3% | Board and staff evaluate narrow criteria |
| Iowa PERS | - Regular - Protect. Occ. - Sheriff/Fire | - 30 yrs. - 24 yrs. - 22 yrs. | 3.7% / 5.8% 5.9% / 8.9% 5.6% / 8.4% | Statutory list of included pub. safety groups |
| Arizona PERS | - General - Public Safety - Corrections | - Age 65+Rule 80 - 20 yrs. - 20 yrs. | 2.0% / 2.0% 7.7% / 4.2% 8.5% / 1.9% | Statutory list of pub. safety groups |

*Nevada PERS is exempt from Social Security.

All states deal with the issue of non-police and fire fighter public safety pension benefits. Many have attempted to establish a system of including positions within police and fire fighter plans, or in a public safety "tier" of their general public plans on the basis of the danger in serving in the positions. The determinations of dangerousness are sometimes made by the state legislatures, the state administrative agencies or boards, and sometimes both.

For example, Massachusetts places groups of employees into the "Group 4" of their public employees retirement system based solely on the life-threatening aspects of their jobs. "Group 4" contains police and fire fighters, but has grown to include corrections officers and most recently senior district attorneys. Illinois officially uses a standard of "physically dangerous position" for inclusion into public safety plans, with the determination for eligibility made by the state legislature. Recently, Illinois department of transportation highway workers were added to their public safety plans. New York has adopted an approach of many different sub-categories for public safety workers within their general public employees plan, rather than having a separate plan or inclusion in police and fire plans.

Set forth below is a more detailed look at the approaches of Idaho, Oregon, Nevada, Iowa, and Arizona. The five states provide examples of a variety of approaches by states to providing benefits to public employees generally, police and fire fighters, and other state public safety employees.

Idaho Public Employees' Retirement Systems

The Public Employees' Retirement System of Idaho (PERSI) covers both general public employees, as well as statewide public safety and police officers' and fire fighters that first became members since 1980. The intent of the PERSI public safety categories are to include positions where the nature of the work is proven to shorten life expectancy as compared to the general membership.

PERSI provides different retirement and early retirement ages for regular public employee members and "police officer/fire fighter" members, and also different contribution rates. Many "public safety" groups are included within the Idaho Police/Fire tier. For example, in 2001 the general member contributed 5.86% of pay and the police/fire member contributed 7.21% of pay. Employer rates differed by a similar margin.

Idaho Public Employee Retirement Eligibility: Retirement at age 65, early retirement at age 55. Retirement also available under a "Rule of 90."

Idaho Police/Fire "public safety" eligibility: Retirement at age 60, early retirement at age 50. Retirement also available under a "Rule of 80."

Many employees that are not police officers are given police officer status for purposes of retirement benefits in PERSI. When an employee enters or leaves a police or fire officer status position, their employer submits certification to the plan administrator regarding the change in status.

While the Idaho "police officer" includes many groups that LEOFF plan 2 does not, the definition used in PERSI for "fire fighter" appears similar to that used in Washington State. The decision on whether a position qualifies is decided by petition under the rules to the board, however in effect the Idaho system essentially requires proponents to have the legislature amend the applicable statutes to include the new positions.

| Employees included under PERS Idaho police officer category | Employees included under the PERS Idaho fire fighter category |
|--|---|
| Senior administrators of the dept. of law enforcement and police services division. Commissioned state police officers Alcohol beverage control enforcement officers Brand inspectors and supervisors County Sheriffs and qualified deputy sheriffs City Police Chiefs and qualified city police officers Dept. of Fish and Game enforcement officers Senior administrators of the dept. of corrections Corrections officers and corrections officer instructors | Employees whose primary occupation is preventing and extinguishing fires The Fire Chief of a city Chief Fire Warden of a timber protective assoc. <u>NOT</u> employees with fire fighting as a secondary or occasional requirement of a position |

| Employees included under PERS Idaho police officer category | Employees included under the PERS Idaho fire fighter category |
|---|--|
| Probation officers, investigators, and supervisors Adjutant general and military division employees District Court magistrates and security personnel Paramedics and paramedic trainees Attorney General's and Prosecutor's investigators Retirement Board designated employees in principally "hazardous law enforcement duties." | |

If an employee works part of their career in a position included within the "police officer status" category for the PERSI and part in positions in the general public employee category, their retirement age, early retirement age, and "Rule of 80-90" are calculated on the basis of the ratio of months of service in a "police officer status" position to total months of service. For example, a person with about half of their service in a police status position might end up with a retirement age of 63, an early retirement age of 53, and a "Rule of 85."

Oregon Public Employees Retirement System

Like Idaho, general Tier 2 public employees and police officers and fire fighters are part of a single retirement system. The standard defined benefits (an important qualification, as Oregon PERS offers alternative annuity benefit programs) differ depending on whether a member falls into the general or police and fire categories of membership.

Member contributions in Oregon PERS are statutorily set at 6 percent of pay, regardless of membership in the general or the police and fire plan. Depending on their employer, they may be made by the member either before or after tax, or paid in part or in full by their employer.

For employer contributions Oregon PERS calculates a blended rate based on individual employer experience and the mix of general and police and fire members they employ. On an employer share of normal cost basis employers pay about 9.2 percent for general plan members and 12.4 percent for police and fire members. Depending on accumulated surplus or debt, an amortization rate may increase or decrease that amount.

The overall contribution rate for school districts was 12.7 percent of Oregon PERS-covered employee payroll and the rate for state agencies about 9.5 percent. Broken out separately by plan and illustrating the degree of employer variation, Portland pays about 10.1 percent of pay for police and fire members and about 7.6 percent for general employees and Eugene pays about 15.2 percent for police and fire, 12.3 percent for general employees.

Oregon Tier 2 Public Employee Retirement Eligibility: Retirement at age 60 or after 30 years of service, early retirement with reduced benefits after 55 with less than 30 years.

Oregon Police/Fire "public safety" eligibility: Retirement at age 55 or 50 with 25 years of service, early retirement with reduced benefits after 50 with less than 25 years of service.

The benefits provided in Oregon for general public employees are based on a 1.67 percent of average final salary per year of service, and 2.0 percent for legislators, police officers, and fire fighters. Local jurisdictions that provide equal or better benefits to their police and fire fighters than are provided by PERS may petition the PERS board for exemption from the system⁴.

Like Idaho, there are numerous categories of employees that are included in the definitions of police officer and fire fighter for retirement purposes that do not fit traditional notions of those jobs. The following table summarizes those additional kinds of employees included in the public safety categories:

| Employees included under Oregon PERS police officer category | Employees included under the Oregon PERS fire fighter category |
|---|---|
| State police officers Liquor control enforcement officers County sheriffs and deputy sheriffs City police chiefs and police officers County parole and probation officers Director of the Dept. of Corrections Dept. of Corrections institutional employees Dept. of Corrections adult parole officers State Capitol police State building police Port of Portland airport police Dept. of Agriculture livestock police Board of pub. safety standards enforcement officers Dept. of Justice investigators Lottery Commission enforcement agents Portland public school police Certain youth correctional employees Juvenile parole officers | The State Fire Marshal Deputy state fire marshals Local government employees whose duties involve fire fighting State Forestry Department wildland fire fighters |

⁴ Oregon Administrative Rules, 459-030-0001, 2002, Statutory Authority Oregon Revised Statute 237.

In addition to the benefits that the "public safety employees" share with police officers and fire fighters, the police and fire officers also have additional benefits. For example, police officers and fire fighters enjoy additional duty-caused disability benefits of 50 percent of final salary instead of the benefit from the PERS regular formula. In effect this creates at least three sets of benefits within Oregon PERS - general public employee, public safety, and police and fire benefits.

Nevada Public Employees Retirement System

The Nevada Public Employees Retirement System has almost 95,000 members and beneficiaries, and incorporates most state, city, county, and school employees. Within the Nevada PERS structure there are tiers of benefits for both general public employees and for police and fire members.

None of the members of the Nevada system participate in Social Security, which is unlike Washington where most of PERS and much of LEOFF contribute to Social Security. The higher levels of both contributions and benefits provided by Nevada PERS should be compared with the other plans described here with the Social Security difference in mind.

General public employees may be in a plan wholly funded by their employers, or funded equally by employers and employees. The total contribution currently being made is 18.75 percent of pay.

Nevada Public Employee Retirement Eligibility: Retirement at any age after 30 years of service, at age 60 or after 10 years of service, or at age 65 with 5 years of service. Early retirement is available after reaching service thresholds with a 4 percent per year reduction.

Nevada Police and Fire member Retirement eligibility: Retirement at age 50 with 20 years of service or 30 years of service at any age. Early retirement is available after reaching service thresholds with a 4 percent per year reduction.

There are also several types of optional benefit systems available with different contribution schemes available for police and fire employees. Local government employers typically make the entire contribution for member service, 28.5 percent of pay, and state employers and employees typically split the contribution, 14.25 percent of pay each.

Both the general public employees and the police and fire employees benefits are calculated on a 2.5 percent of average monthly compensation per year of service basis.

Nevada's police and fire membership has become more restrictive. Membership in the police and fire plan in Nevada is now crafted narrowly, including no members who are not full-time employees principally protecting the public and for "firemen" controlling and extinguishing fires or for "police officers" enforcing the laws of the state or subdivisions.

Prior to changes in the definitions made in 1977-1979 several non-police and fire groups, such as correctional officers whose duties do not require daily contact with prisoners, were included in the Nevada Police and Fire plan. Subsequent to the change however, not only were future employees in these categories excluded from participation, but employees with prior service in these categories lost eligibility if they ever left their previously Police and Fire covered positions.

| Employees included under Nevada PERS police officer category | Employees included under the Nevada PERS fire fighter category |
|---|---|
| State and local full-time police officers working for participating employers | State and local full-time fire fighters working for participating employers |
| Former police officers promoted after 2 years of service to related supervisory position | Former fire fighters promoted after 2 years of service to related supervisory position |
| A police officer with 2 years qualified service who subsequently works in eligible position for an ineligible employer. | A fire fighter with 2 years qualified service who subsequently works in eligible position for an ineligible employer. |

The Nevada PERS Board and staff analyze and determine whether a particular position meets the strict requirements for coverage in the police/fire fund. A threshold requirement for police is that the position must be deemed a "peace officer" in the Nevada Revised Statutes. Similarly for firefighters, the positions must have a statutory requirement of fire suppression training. If a position meets one of these thresholds, then a subsequent 100-point analysis is performed. If 75 points are awarded from the following criteria, then the position is recommended for inclusion:

Nevada Police Evaluation Criteria:

- Specialized requirements of law enforcement: (5 points each) duties of position require carrying a weapon, successful completion of peace officer training as a condition of employment, a physical agility exam at time of hire, an annual medical examination
- Physical agility demands of law enforcement necessary for protecting the public. (20 points)
- Public protection duties. (40 points)
- Emotional stability requirements associated with public protection role. (20 points)

Nevada Fire Fighter Evaluation Criteria:

- Specialized requirements of a fire fighter: (5 points each) EMT certification, successful completion of a fire suppression training course, a physical agility exam at time of hire, an annual medical examination.
- Physical agility demands of a fire fighter necessary for front line fire fighting. (20 points)
- Public protection duties. (40 points)
- Emotional stability requirements associated with public protection role. (20 points)

The criteria reflect findings by the Nevada PERS board that continued physical capacity, emotional capacity, and public perception of these capacities are significant factors favoring enhanced benefits for police and fire personnel. Positions determined not to meet the criteria upon examination are only reevaluated by the PERS Board and staff upon a showing by an employer or an employee that there has been a material change in job duties.

Iowa Public Employees' Retirement System, and the "protection occupation" category

The Iowa Public Employees' Retirement System (Iowa PERS) was established in 1953. It provides benefits to state and local government employees in three tiers, regular employees, protection occupation employees, and sheriffs and airport fire fighters. Separate to the members of the state plan, Iowa has provisions at the state and local level for police and fire employees through the Municipal Fire and Police Retirement System and the Peace Officers' Retirement System.

Iowa Regular Public Employee Retirement Eligibility: Retirement at 30 years of service for a 60 percent of final compensation benefit, 0.25 percent additional benefit each year after 30 years to a 65 percent maximum. Early retirement with a 6 percent per year reduction each year before normal retirement.

Iowa Protection Occupations Retirement Eligibility: Retirement based on a 24 years of service base for a 60 percent of final compensation benefit, 1 percent additional benefit each year after 24 years to a 66 percent maximum.

Iowa Sheriffs/Airport Fire Fighter Retirement Eligibility: Retirement based on a 22 years of service base for a 60 percent of final compensation benefit, 1.5 percent additional benefit each year after 22 years to a 72 percent maximum.

Members with service in more than one of the categories may use a "hybrid formula" to take all special and regular service into account in calculating their benefit. The number of years in each type of service is divided by the number of years required to retire in that system (30 for Regular, 22 for Sheriffs, 24 for Protection Occupations), and the results are then added to determine the amount of a full 60 percent benefit the member receives for retiring.

There are three categories of members within Iowa PERS, Regular, Sheriffs/Deputy Sheriffs/Airport Firefighters, and Protection Occupations members. In addition there are separate systems for municipal police and fire fighters.

Iowa Public Employees' Retirement System Contribution Rate in Effect June 30, 2001

| Plan/Rate | Employee | Employer | Total |
|-------------------------------|-----------------|-----------------|--------------|
| Regular PERS | 3.70% | 5.75% | 9.45% |
| Sheriffs/Airport Fire | 5.59% | 8.39% | 13.98% |
| Protection Occupations | 5.90% | 8.86% | 14.76% |

The Protection Occupation category is statutorily listed, and in Iowa PERS includes the following types of employees:

- City Marshals, Police or Firefighters in towns under 8,000 population
- State Conservation Peace Officers
- State Correctional Officers

- Airport Safety Officers
- Dept. of Transportation Peace Officers
- Fire Prevention Inspector Peace Officers

Arizona Public Employees', Public Safety, and Corrections Officers' Systems

The Arizona State Retirement System provides benefits for employees of the state government, universities, counties, cities and towns, as well as other public employers. In addition to the general retirement system, Arizona has a Public Safety Personnel Retirement System and a separate Corrections Officer Retirement Plan.

The Arizona Public Safety Personnel Retirement System was established to aggregate municipal fire and police, the Arizona highway patrol, and other disparate plans from throughout Arizona in 1968. Eligible members must be regularly assigned to hazardous duty, and currently include the broad array of following groups:

- Municipal police officers who are certified peace officers
- Municipal fire fighters
- Full-time paid fire fighters employed directly by a fire district
- Arizona Highway Patrol Officers who are certified peace officers
- State fire fighters
- County Sheriffs and deputies who are certified peace officers
- Fish and game wardens who are certified peace officers
- Airport police who are also certified peace officers and fire fighters
- University police who are certified peace officers
- Community college police who are certified peace officers
- Indian reservation police who are certified peace officers
- Indian reservation fire fighters
- Dept. of Administration police who are certified peace officers
- Dept. of Liquor Licenses and Control Investigators who are certified peace officers
- Dept. of Agriculture officers who are certified peace officers
- State Parks Board rangers and managers who are certified peace officers
- County park rangers who are certified peace officers

In addition to the Public Employee and Public Safety Plans, Arizona also has a separate service for Corrections Officers. The Arizona Corrections Officer Retirement plan provides benefits to all board designated full-time employees of participating employers - which can include both state and state subdivision corrections employers. Contributions by members are fixed at 8.5 percent of pay, and employers contribute an additional amount as actuarially necessary to fund benefits and accrued liability but in no event less than 2 percent of pay.

Contributions to the Arizona Public Safety Plan by members are statutorily set at 7.65 percent of pay and employers contribute an additional amount each year as actuarially necessary to fund the normal cost of benefits earned and to fund any accrued liability. Each employer may pay a different rate on the basis of the valuation of their actuarial experience.

The Arizona Public Employee plan provides for employee contributions of during the 2001 and 2002 fiscal years is 2.49% and the employers are contribute an equal amount.

Arizona Public Employee Retirement Eligibility: Full retirement at age 65, age 62 with 10 years of service, or under a rule of 80. The COLA, called the Excess Earnings permanent benefit increase, is similar to the Washington plan 1 Uniform COLA. Early retirement with reductions beginning at age 50 with five or more years of service.

Arizona Corrections Officer Retirement Eligibility: Full retirement at age 62 with 10 or more years of service, at 20 years of service (25 years for dispatchers), or upon satisfying a rule of 80. Full retirement entitles a member to fifty percent of final average salary, increased or decreased if the member has more or less than 20 years of service.

Arizona Public Safety Personnel Eligibility: Full retirement at age 62 with 15 years of service or upon completion of 20 years of service. Full retirement benefit is 50 percent of average final salary, less 4 percent for each year under twenty years of service or increased 2 percent for each year beyond 20 to a maximum of 80 percent.

6. Two Possible Approaches: Rule of 90 and Service Credit Purchase

The following two benefit concepts have in them the underlying premises:

- The benefits are paid for entirely by the eligible member/employees.
- The benefits are prospective-only in application.

The first of these premises, that the member pay for the benefit in its entirety, is unlike the existing cost-sharing principle that is part of the PERS plans 2/3. It also means that there would be no additional cost for retirement benefits to employers regardless of the participation of their members in the conceptual public safety benefit.

The second premise, that either concept be prospective-only, means that there be no mechanism to "convert" past service from non-public safety to public safety qualified. In the case of the first concept, the Rule of 90 approach, this prospective-only approach means that service earned prior to the implementation of the new benefit will not be creditable as public safety service towards the Rule. Under the second concept, improved Early Retirement Reduction Factor (ERRF)-eligibility purchase, retroactivity is not necessarily an issue however as the availability may be conditioned on several different factors independent of service such as sufficient accumulation of defined contributions to purchase the improved ERRF-eligibility at a certain age.

1. *Rule of 90, employee contribution only.*

Full retirement eligibility in PERS plan 2/3 is generally unrelated to the members length of service, though the level of benefits, early retirement eligibility, and particularly the accessibility of the current improved ERRF is length of service related. This is in contrast with plans such as PERS plan 1 which has age and service eligibility formulas such as retirement with 30 years of service at any age, or at age 55 with 25 years of service.

A "Rule of 90" retirement eligibility formula for public safety members would permit members with a combination of age and years of service totaling 90 to retire with an unreduced benefit. An employee 60 years old with 30 years of service would meet a Rule of 90, as would an employee aged 55 with 35 years of service.

On a purely prospective service credit basis, a member would likely base their benefit on years of service earned in a public safety qualified position only. While a multiple plan benefit approach as exists in the portability statutes (Chapter 41.54 RCW) might be employed for careers of mixed service, it is unclear how years of service would be mixed to satisfy a Rule approach that requires years of service in one plan.

For example, under current law a member with service in both LEOFF plan 2 and PERS plan 2 may use the salary from one position for the calculation of the benefits from both, but each benefit is still only available unreduced from that plan's retirement age. If such a member retired at the LEOFF plan 2 normal retirement age and elects to begin receiving their PERS plan 2 benefit at the same time, their PERS plan 2 benefit will be actuarially reduced from age 65 to age 53.

This portability approach suggests that the benefit taken at satisfaction of the Rule of 90 earned from service in PERS prior to the creation of the public safety category would be reduced from age 65 to the age that the member attains the Rule of 90.

Rule of 90 Examples:

| <u>Group</u> | <u>Additional Rate for Future Service</u> |
|-----------------------------------|--|
| Average Age 40/Average Service 12 | 1.1% |
| Average Age 50/Average Service 20 | 0.8% |
| Average Age 40/Average Service 20 | 2.4% |

2. *Service credit purchase for ERRF eligibility.*

Currently, members of PERS plan 2/3 may be eligible for a reduced early retirement benefit beginning at age 55. If a member has earned 30 years of service or more, they qualify for an ERRF of 3 percent per year between their age and the full PERS plan 2/3 retirement age of 65. This 3 percent per year reduction is a much smaller per year reduction that retirees with less than 30 years must take to early retire - those shorter service early retirees face a full actuarial rate of reduction that could average about 8 percent per year, depending on the total number of years.

The 3 percent per year ERRF is also similar in amount per year to the annual increase in retirement allowance that members in PERS plan 2/3 each year after they retire.

Members could "purchase" eligibility for the PERS plan 2/3 ERRF after earning 20 years of service with a sufficient accumulation of contributions in an eligible account. Members, for example, who could never reach 30 years of service and eligibility for the existing ERRF prior to age 65 could gain thus access this benefit. Alternately, the member could purchase eligibility for an unreduced retirement allowance to begin as early as age 55, the PERS plan 2/3 early retirement age.

In each example below, an 8% rate of return and a salary growth rate of 4.5% is applied to the contributions made over the individual's career.

Service Credit Purchase Examples: (\$50,000 salary)

| | <u>3% ERRF</u> | <u>Unreduced Benefit</u> |
|-----------------------------|-----------------------|-------------------------------------|
| Sample individual #1 | | |
| Age 55, 20 years of service | | |
| Lump sum cost | \$ 86,200 | \$ 165,000 |
| Rate required over 20 years | 5.96% | 11.44% |
| Sample individual #2 | | |
| Age 60, 25 years of service | | |
| Lump sum cost | \$ 75,400 | \$ 120,400 |
| Rate required over 25 years | 3.80% | 6.07% |

Appendix 1
Law Enforcement Office, Plan 2

| Criterion | Definition |
|-----------------------|--|
| Employer | Any city, town, county, district, or general authority law enforcement agency. |
| Employment | <ol style="list-style-type: none">1. Commissioned and employed by an employer in a full time, fully compensated basis to enforce the criminal laws of the state of Washington generally; or2. Public safety officer or director of public safety in a town having a population of less than 10,000. |
| Qualifications | <ol style="list-style-type: none">1. Classified deputy sheriffs must pass civil service examination;2. Other than elected sheriff or appointed police chief, meet specified medical and health standards and3. Completion of Criminal Justice Training Commission basic training. |

Appendix 2
Fire Fighter Plan 2

| Criterion | Definition |
|-----------------------|---|
| Employer | Any city, town, county, district or university. |
| Employment | <ol style="list-style-type: none">1. Serving on a full time, fully compensated basis as a member of fire fighter for an employer and is actively employed as such;2. Supervisory fire fighter personnel; or3. Full time executive secretary of an association of fire protection districts. |
| Qualifications | <ol style="list-style-type: none">1. Where required, pass civil service examination for fire fighter; and2. Meet specified medical and health standards. |

Appendix 3
Groups Requesting LEOFF Membership

| Potential Member Employment | Employer | Employment | Required Training¹ |
|--|------------------|-------------------|--|
| Public EMTs | Yes | No | N/A ² |
| County Corrections | Yes | No | No |
| County PUD Line Workers | No | No | No |
| Liquor Control Enforcement | No | No | No |
| Gambling Commission Enforcement | No | No | No |
| State Park Rangers | No | No | No |
| Department of Corrections | No | No | No |
| Fish and Wildlife Enforcement | Yes ³ | Yes ³ | Yes |
| WPPSS Security | No | No | No |
| Public Safety Officers | Yes | No | Yes |
| Community Correction | No | No | No |
| Bellingham Port Fire Fighters | No | No | N/A ² |

¹ General law enforcement training by the Criminal Justice Training Commission.

² Requesting membership as firefighters.

³ Changed as a result of 2002 Legislature's adoption of SB 6067.

Appendix 4
Retroactive Transfer from PERS 2 to LEOFF Plan 2

| Potential Member Employment | Plan 2 Member | Employer One Time Cost* | Ongoing Additional GFS LEOFF Cost** |
|---------------------------------|---------------|-------------------------|-------------------------------------|
| County Corrections | 2,500 | 198,250,000 | 4,865,000 |
| County PUD Line Workers | 385 | 30,531,000 | 749,000 |
| Liquor Control Enforcement | 70 | 5,551,000 | 136,000 |
| Gambling Commission Enforcement | 78 | 6,185,000 | 152,000 |
| State Park Ranger (permanent) | 166 | 13,164,000 | 232,000 |
| State Corrections | 3,002 | 238,059,000 | 5,842,000 |
| Fish and Wildlife Enforcement | 56 | 43,456,000 | 1,066,000 |
| Community Correction | 548 | 43,456,000 | 1,066,000 |
| TOTALS | 6,805 | 539,637,000 | 13,242,000 |

* We have based costs on an assumed average of \$54,059 and age 42 and 13 years of service.

** Represents the 2001 state portion of the LEOFF plan 2 contribution rate, 1.8% for the biennium.

Appendix 5

Explanation of categories of employees used in Labor and Industries claims charts

STATE LOTTERY OFFICERS

Classification: 710305
WAC: 296-17-756

Applies to employees of the lottery commission, including administrative employees, who have law enforcement powers such as, but not limited to, authority to arrest or to preserve order.

This classification excludes any lottery commission employees who do not have law enforcement powers who are to be reported separately in the classification applicable to work performed.

COUNTIES - PROF AND CLERICAL

Classification: 530607
WAC: 296-17-679

Applies to clerical office, administrative employees, and elected officials of counties, public utility districts and taxing districts, not otherwise classified (N.O.C.). Clerical duties include, but are not limited to, answering telephones, handling correspondence, computer work, and maintaining financial, personnel and payroll records. A clerical office is a work area which is physically separated from all other work areas by walls, partitions or other physical barriers. Administrative duties may be conducted in or out of the county, public utility district or taxing district facilities, but are conducted in an atmosphere free from the operative hazards of work environments such as, but not limited to, jails, law enforcement and road works. In addition to management activities, this **classification** also includes field auditors, social workers, alcohol and drug abuse programs, senior health and nutrition programs, medical and dental clinics or similar activities professionals would perform.

CITIES - CLERICAL

Classification: 530506
WAC: 296-17-678

Applies to clerical office, administrative employees, and elected officials of cities and towns. Clerical duties include, but are not limited to, answering telephones, handling correspondence, computer work, and maintaining financial, personnel and payroll records. A clerical office is a work area which is physically separated from all other work areas by walls, partitions or other physical barriers. Administrative duties may be conducted in or out of the city or town facilities, but are conducted in an atmosphere free from the operative hazards of the work environments such as, but not limited to, jails, law enforcement and road works. In addition to management activities, this **classification** also includes field auditors, social workers or similar activities professionals would perform.

HOUSING AUTH. CLERICAL

Classification: 530626
WAC: 296-17-678

Applies to clerical office and administrative employees of local public housing authorities. Clerical duties include, but are not limited to, answering telephones, handling correspondence, computer work, and maintaining financial, personnel and payroll records. A clerical office is a work area which is physically separated from all

STATE PROF. AND CLERICAL

Classification: 490200
WAC: 296-17-651

other work areas by walls, partitions or other physical barriers. Administrative duties may be conducted in or out of the housing authority facilities, but are conducted in an atmosphere free from the operative hazards of work environments such as, but not limited to, jails, law enforcement and road works. In addition to management activities, this **classification** also includes field auditors, social workers or similar activities professionals would perform.

Applies to those state employees who are assigned to work in an administrative capacity, a clerical office, or in public relations or sales work. For the purposes of this **classification**, field exposure is to the normal travel to a work assignment such as a field auditor or social worker would encounter. This **classification** includes all departments, agencies, boards, commissions, committees and elected officials of all branches of state government. This **classification** excludes employees with field exposure other than that described above, employees with law enforcement powers, and employees who provide patient health care.

PUB. INSTIT. OF HIGHER ED.

Classification: 490601
WAC: 296-17-655

Applies to public institutions of higher education such as universities, colleges, and junior colleges that have obtained state accreditation and are supported at least in part by public funds. Work contemplated by this **classification** includes, but is not limited to, administrative staff, professors/teachers, advisors, librarians, athletic coaches, medical staff at a hospital or research center run as part of the institution, restaurant/snack shop staff, campus security, janitorial/maintenance staff, clerical office and sales personnel.

STATE "LIMITED" LAW ENF. OFFICERS

Classification: 710300
WAC: 296-17-756

Applies to any state employees, including administrative employees, who have law enforcement powers such as, but not limited to, authority to arrest or to preserve order, and who are not covered by another classification (N.O.C.). State agencies assigned this classification include, but are not limited to, department of agriculture, department of natural resources, utility and transportation commission, Washington state gambling commission, Washington state liquor control board, and the Washington state parks and recreation commission.

WELFARE SPECIAL WORKS PROGRAM

Classification: 650500
WAC: WAC 296-17-718

Applies to certain "employees" of nonprofit establishments engaged in finding work experience for individuals who are in need of job training or skill enhancement to make them employable or more competitive in the job market. Establishments that qualify for this **classification** will solicit the participation of other businesses by offering the services of one of these individuals cost-free for a limited length of time, usually less than six months. During that period the business person who has agreed to participate will supply the

AIRPORT OPERATIONS

Classification: 680400
WAC: WAC 296-17-744

opportunity for work experience and the supervision of the work being performed while wages will be paid by the sponsoring organization.... security department, and nonprofit job counselors are typical sponsors of these programs. Work contemplated by this **classification** may be found in any type of work environment.

Applies to establishments engaged in operating airports. This **classification** includes work such as, but not limited to, control tower operations, information clerks located at the airport, baggage handlers who load/unload planes, maintenance and janitorial personnel, porters (skycaps), security personnel, fuel attendants and fire department personnel. This **classification** excludes clerical personnel and ticket sellers with no other duties...

COUNTIES - LAW ENF. OFFICERS

Classification: 690501
WAC: WAC 296-17-750

Applies to salaried law enforcement officers of counties and taxing districts and to volunteer law enforcement officers of counties and taxing districts who are not otherwise classified (N.O.C.) for whom full coverage is elected. Duties of law enforcement officers include, but are not limited to, directing traffic, patrolling by motor vehicle, motorcycle, bicycle, or on foot or horseback, preventing crimes, investigating disturbances of the peace, arresting violators, conducting criminal investigations, giving first aid, and guarding persons detained at the police station.

CITIES - SALARIED FIREFIGHTERS

Classification: 690400
WAC: WAC 296-17-749

Applies to salaried fire fighters of cities and towns. Fire fighters respond to fire alarms and other emergencies, control and extinguish fires, protect lives and property, and maintain fire fighting equipment, administer first aid and artificial respiration to injured persons and those overcome by fire and smoke. They may inspect buildings for fire hazards and compliance with fire prevention ordinances and may issue citations to building owners listing the fire regulation violations to be corrected. This classification includes paramedics employed by fire departments.

CITIES - LAW ENF. OFFICERS

Classification: 690500
WAC: WAC 296-17-750

Applies to salaried law enforcement officers of cities and towns and to volunteer law enforcement officers of cities and towns who are not otherwise classified (N.O.C.) for whom full coverage is elected. Duties of law enforcement officers include, but are not limited to, directing traffic, patrolling by motor vehicle, motorcycle, bicycle, or on foot or horseback, preventing crimes, investigating disturbances of the peace, arresting violators, conducting criminal investigations, giving first aid, and guarding persons detained at the police station.

COUNTIES - ALL N.O.C.

Classification: 150100
WAC: WAC 296-17-545

Applies to employees of counties and taxing districts, not covered by another **classification** (N.O.C.), who perform manual labor, or who supervise a work crew performing manual labor such as custodial or maintenance, and

STATE, N.O.C.

Classification: 530700
WAC: 296-17-67901

machinery or equipment operators including transit bus drivers. This **classification** includes administrative personnel such as engineers, safety inspectors, and biologists who have field exposure, and internal inventory and supply clerks.

Applies to state government employees not covered by another **classification** (N.O.C.) who perform manual labor, or who supervise a work crew performing manual labor such as custodial or maintenance, construction, or the operation of machinery or equipment. This **classification** includes administrative personnel such as engineers, safety inspectors, and biologists, who have field exposure, and store and stock clerks. For the purposes of this **classification** field exposure is defined as any exposure other than the normal travel to a work assignment, such as a field auditor or social worker would encounter. This **classification** includes all departments, agencies, boards, commissions and committees of either the executive, legislative or judicial branches of state government.

COUNTIES - SALARIED FIREFIGHTERS

Classification: 690401
WAC: WAC 296-17-749

Applies to salaried fire fighters of counties and taxing districts. Fire fighters respond to fire alarms and other emergencies, control and extinguish fires, protect lives and property, and maintain fire fighting equipment, administer first aid and artificial respiration to injured persons and those overcome by fire and smoke. They may inspect buildings for fire hazards and compliance with fire prevention ordinances and may issue citations to building owners listing the fire regulation violations to be corrected. This classification includes paramedics employed by fire departments.

STATE - STATE PATROL

Classification: 710301
WAC: 296-17-756

Applies to employees of the Washington state patrol, including administrative employees, who have law enforcement powers such as, but not limited to, authority to arrest or to preserve order.

This classification excludes any state patrol employees who do not have law enforcement powers who are to be reported separately in the classification applicable to work performed.

CITIES - ALL N.O.C.

Classification: 080300
WAC: 296-17-529

Applies to employees of cities or towns who perform manual labor, or who supervise a work crew performing manual labor such as custodial or maintenance, and machinery or equipment operators including transit bus drivers. This **classification** includes administrative personnel such as engineers, safety inspectors, and biologists, who have field exposure, and also includes store and stock clerks.

PORT DISTRICTS

Classification: 420102
WAC: WAC 296-17-629

Applies to the operation of port districts by a municipality. Port districts have separate taxing authority and although they may receive tax dollars from levies most of their operating costs are funded through rental and use fees on the property and facilities they operate. Port districts are authorized by state law for the purpose of acquiring, developing, maintaining and operating various

STATE CORRECTIONAL OFFICERS

Classification: 710303
WAC: 296-17-756

ELECTRIC AND P.U.D.

Classification: 130102
WAC: WAC 296-17-539

STATE FISH & WILDLIFE OFFICERS

Classification: 710306
WAC: 296-17-756

LONGSHORING AND STEVEDORING

Classification: 420100
WAC: WAC 296-17-629

HOUSING AUTHORITY, ALL N.O.C.

Classification: 150101
WAC: WAC 296-17-545

transportation-related properties and facilities. In addition to marine and airports, the district may also develop and maintain facilities used for the transfer, handling, storage and terminal operations of commercial enterprises. This **classification** includes sales personnel and any stevedoring operations conducted by port district employees.

Applies to employees of the department of corrections, including administrative employees, who have law enforcement powers such as, but not limited to, authority to arrest or to preserve order.

This classification excludes any department of corrections employees who do not have law enforcement powers who are to be reported separately in the classification applicable to work performed.

Work contemplated by this **classification** includes the regular installation, maintenance and repair of power plant machinery and equipment, the extension and maintenance of lines (including poles, towers and underground lines), the installation and maintenance of circuit breakers and transformers on poles, pole-to-house hook-ups (service connections), meter installation and meter readers when done by employees of an employer having operations subject to this **classification**.

Applies to employees of the department of fish and wildlife, including administrative employees, who have law enforcement powers such as, but not limited to, authority to arrest or to preserve order.

This classification excludes any department of fish and wildlife employees who do not have law enforcement powers who are to be reported separately in the classification applicable to work performed.

Applies to establishments engaged in longshoring (stevedoring) operations which involve the transfer, loading, and unloading of ships' cargo and storage of such on docks or in nearby warehouses. This **classification** includes stevedoring by hand or hand truck and containerized stevedoring which involves the use of a cross deck crane for lifting the trailer body container onto or off of the ships deck or hold. This **classification** also includes wharf and pier operations, coal dock operations, cargo checkers, tallymen and the repackaging or mending of damaged containers in connection with stevedoring activities.

Applies to employees of housing authorities, not covered by another **classification**, who perform manual labor, or who supervise a work crew performing manual labor such as custodial or maintenance, and machinery or equipment operators. This **classification** includes all functional operations of a housing authority such as inspection, maintenance and repairs, including minor structural repairs, janitorial service, and building and

STATE GOVERNMENT: HEALTH CARE FACILITIES

Classification: 720100
WAC: 296-17-763

grounds maintenance. Also included in this **classification** are meter readers, security personnel, other than those with law enforcement powers, administrative personnel such as engineers and safety inspectors who have field exposure, and internal inventory and supply clerks.

Applies to state employees who provide any type of patient or health care at state-operated facilities or at health care facilities in state schools or correctional institutions. Type of employment contemplated by this classification includes, but is not limited to, traveling nurses, therapists, and physicians.

This classification excludes any state employees who do not provide patient or health care who are to be reported separately in the classification applicable to work performed.